

HOGAN & HARTSON EX PARTE OR LATE FILED
L.L.P.

LINDA L. OLIVER
PARTNER
DIRECT DIAL (202) 637-6527

March 30, 1999

COLUMBIA SQUARE
555 THIRTEENTH STREET, NW
WASHINGTON, DC 20004-1109
TEL (202) 637-5600
FAX (202) 637-5910

BY HAND DELIVERY

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
The Portals
445 Twelfth Street, S.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

**Re: Notice of Ex Parte Communication Regarding Interconnection
and Resale Obligations Pertaining to Commercial Mobile
Radio Services, CC Docket No. 94-54**

Dear Ms. Salas:

Yesterday, on behalf of the Telecommunications Resellers Association ("TRA"), the undersigned of Hogan and Hartson L.L.P. and David Gusky, Executive Vice President, TRA, met with Karen Gulick, Legal Advisor to Commissioner Gloria Tristani, regarding the referenced proceedings.

In the meeting, TRA discussed its position regarding the importance of unrestricted wireless resale to a competitive wireless and full service market. TRA also discussed the importance of Commission enforcement of the current resale obligation and the need to eliminate any sunset of the resale requirement.

The attached handout was distributed and discussed at the meeting. The handout explains why the Commission should retain its requirement that carriers permit resale of bundled packages of wireless service and equipment. TRA also discussed the points made in the November 13, 1998, letter to Chairman William Kennard from David Gusky of TRA filed in the referenced docket.

TRA also distributed and discussed the reply comments of the Personal Communications Industry Association (PCIA) in WT Docket No. 98-205, et al., filed Feb. 10, 1999, which we have previously filed for inclusion in the record of the referenced proceeding (CC Docket No. 94-54). In its reply comments, PCIA opposed the lifting of the commercial mobile radio services spectrum cap. PCIA cited data showing that the PCS

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share of the wireless market is still relatively low. This data shows that the FCC's decision to sunset the wireless resale requirement, which was based on predictions of the effect of the introduction of PCS on the competitiveness of the wireless market, was not well-founded. For this reason and the reasons given in the reconsideration petition of the National Wireless Resellers Association in the referenced proceeding, TRA urges the Commission to lift the sunset of the resale rule.

I have hereby submitted two copies of this notice for each of the referenced proceedings to the Secretary, as required by the Commission's rules. Please return a date-stamped copy of the enclosed (copy provided).

Please contact the undersigned if you have any questions.

Respectfully submitted,

A handwritten signature in cursive script, reading "Linda L. Oliver".

Linda L. Oliver
Counsel for Telecommunications
Resellers Association

Enclosure

cc: Karen Gulick

Telecommunications Resellers Association

**March, 1999
CC Docket No. 94-54**

**Why Resale of Bundled Offerings of
CPE and Wireless Service
Must Remain Unrestricted**

The Commission correctly held in the CMRS Resale Order that carriers should not be allowed to circumvent the resale requirement by denying resellers the ability to resell a package of wireless service and equipment. 1/

Under the resale rule, 47 C.F.R. § 20.12(b), resellers are entitled to “unrestricted resale” of any CMRS service, including services that are discounted through bundled offerings.

Denying reseller customers the ability to purchase a bundled offering constitutes the denial of a reasonable request for service in violation of Section 201(b) and constitutes discrimination against reseller customers in violation of Section 202(a). 47 U.S.C. §§ 201(b), 202(a).

1/ Interconnection and Resale Obligations Pertaining to Commercial Mobile Radio Services, CC Docket No. 94-54, FCC 96-263, released July 12, 1996, at ¶ 31, 11 FCC Rcd 18455 (1996).

Communications services increasingly are being sold in bundle-priced packages with other products, some of which may not themselves be subject to Title II. 2/

Standard practice in the wireless industry is to sell wireless phones at deeply discounted rates when the phones are purchased with wireless service. 3/

- This practice, while permitted under FCC rules for wireless services, enables the carrier effectively to discount the *service* when it is sold in a bundle with equipment.
- The bundled price *disguises* the discounting of the service price.

2/ See, e.g., "Bundling Still a Mixed Bag," RCR, Jan. 18, 1999. Bundled pricing is commonly defined as offering of two or more products at a packaged rate that is lower than the price that would be paid if the components were purchased separately. See, e.g., Policy and Rules Concerning the Interstate, Interexchange Marketplace, CC Docket Nos. 96-61, 98-163, FCC 98-258, released October 9, 1998, at ¶ 1.

3/ Except in the case of wireless services, it is still unlawful to bundle telecommunications services with equipment. The Commission is considering whether to eliminate the general prohibition on bundling of common carrier services with CPE and enhanced services. See id.

This discounted wireless service should be available for resale, through *resale of the bundle*.

Or, if the carrier prefers, the discounted service can be provided by offering resellers service (without CPE) *at the effective discount* reflected in the bundled offering.

The fact that CPE standing alone is not a Title II offering, or that CPE is competitive, is irrelevant to whether the bundle should be available to resellers.

- In the CMRS Resale Order, the Commission did *not* hold that the non-common carrier products themselves must be available for resale.
- Resellers are like any other customer, and cannot lawfully be denied the ability to purchase service, whether it is offered on a stand-alone basis or bundled with CPE.
- Carriers cannot use bundling as an excuse to discriminate against resellers.

The fact that a reseller may be able to purchase the CPE from another source also is irrelevant to the requirement to permit resale of the bundle.

- The problem with bundling is not the lack of availability of CPE.
- Rather, the issue is that wireless service is being effectively discounted through the bundle, and that service discount is not available to reseller customers.

The Commission did not prohibit bundling of wireless service with CPE; it only required carriers to refrain from denying resellers the ability to purchase bundled as well as stand-alone service offerings.

The Commission simply was recognizing that when a Title II common carrier service is bundled with a non-Title II offering, carriers can employ the bundled pricing as a means of denying to resellers the most favorable retail rate.

The implications of eliminating the requirement that bundles be made available for resale would be profound.

Full service packages are likely to become the rule in the marketplace.

- By definition, the components of the package will be more expensive, standing alone, than they will be when purchased as a bundle.
- Thus, the lowest effective rates for service will be those available in bundled offerings.
- If those bundles are not available for resale, resellers will be left with the ability only to resell the highest priced, least discounted offerings.

If resale becomes nonviable as a practical matter, then only those service providers that own networks will be in a position to compete in a full service world.